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SUBJECT: DEMARCHE ON U.S.-EU CLIMATE CHANGE COOPERATION

11. (U) This is an action request for posts in EU Member States and USEU. Please see para 10.

12. (SBU) SUMMARY: The March 13-14 meeting of the European Council, which will bring together European heads of state and government, will include a major discussion of climate change and energy. The purpose of this demarche is to inform that discussion by underlining the importance of continued U.S.-EU cooperation in achieving a practical, global, and environmentally effective outcome in both the Major Economies Process and in the UN Framework Convention negotiations. The Major Economies Leaders Statement in July will play a key role in helping ensure a successful outcome for COP-15 by addressing key elements of the Bali Action Plan. Before the Heads of Government meeting next week, the United States wishes to send a clear signal to the EU and its member states that their calls for Annex I Parties cutting emissions by 25-40 percent as a group will undermine our shared goal of broadening international participation. END SUMMARY.

13. (SBU) In order to build on the positive momentum from the January 30-31 Major Economies Meeting in Hawaii, it is important to be practical and recognize the different circumstances of countries in meeting the climate challenge. Deputy National Security Advisor Dan Price, CEO Chairman Jim Connaughton, and Special Envoy to the EU Boyden Gray visited Paris, Berlin, and London February 24-27 to discuss cooperation on climate change. The U.S. officials told European interlocutors that setting an impractical goal for the next round of UNFCCC negotiations would not only be a recipe for public failure, but would also raise the prospect of driving major developing countries such as China and India - whom we and Europe have a mutual interest in attracting to post-2012 arrangements - from participating in such arrangements.

14. (U) Recent meetings underscored that many in Europe are not aware of the substantial new actions embodied in the Energy Independence and Security Act of 2007. The United States now has eight mandatory programs. The mandates embodied in these programs represent a bipartisan consensus in the United States, and include:

- Renewable fuels - 36 billion gallons or roughly 15 percent of fuel supply by 2022
- Vehicle Fuel Economy - 40 percent by 2020 to 35mpg (miles per gallon)
- Lighting Efficiency - 25 to 30 percent improvement by 2012-2014, 70 percent by 2020
- Appliance Efficiency - 45 new standards
- Federal Government Operations - 30 percent efficiency improvement and 20 percent renewable fuel use by 2015
- Accelerated Hydrochlorofluorocarbons (HCFC) Phaseout
- Renewable Power - 26 states
- Building Codes - Federal government promoting new 30 percent model code

(NOTE: Whether and how such mandates, some of which relate to state - rather than federal - action, could be reflected in an internationally binding commitment is still to be determined. END NOTE).

15. (U) U.S. investments in energy technology research have increased from \$1.7 billion in 2001 to over \$4 billion per year and, as a result of the 2005 Energy Bill and FY08 appropriations, there is now \$38.5 billion per year available for federal loan guarantees to promote the deployment in the United States of clean energy technology. The United States is joining the UK and Japan in contributing to a Clean Technology Fund that will help to bridge the financing gap towards deploying clean energy technology in developing countries.

16. (U) The United States supports all major economies having nationally determined mid-term goals that are reflected in binding international commitments.

-- Such goals should be supported by national plans sufficiently detailed to provide measurable, reportable, and verifiable means of achieving the goals.
-- Allowing Parties to determine their own mid-term goals will further important objectives with respect to a post-2012 outcome. It will promote the Bali Plan of Action's emphasis on "nationally appropriate" actions. In addition, it will make it more likely that we can attract broader participation and build a global, comprehensive post-2012 outcome.

STATE 00024257 002 OF 003

17. (SBU) Recent developments indicate that the European Union may, in upcoming negotiations, press other developed countries ("Annex 1 countries" under the UN Framework Convention on Climate Change) to take on similar absolute reductions to which the EU has committed; namely 20 to 30 percent by 2020 or 2025. For example, the EU in conclusions to Bali post-Kyoto negotiations pressed to highlight Intergovernmental Panel on Climate Change (IPCC) language suggesting that Annex 1 countries must collectively reduce their emissions by 25-40% by 2020 in order to achieve the lowest greenhouse concentration levels assessed by the IPCC.

18. (SBU) Most other large developed countries (e.g. Australia, Canada, Japan, and the United States) start from a different baseline than the EU (due in good part to fortuitous structural changes in the German and United Kingdom economies before Kyoto was negotiated), and cannot as a practical matter meet the type of collective targets the EU appears to be calling for. For example, achieving a 25 to 40 percent reduction by 2020 compared to 1990 levels would require roughly a 50 percent reduction in US emissions compared to a business as usual scenario. Even the most aggressive bills on Capitol Hill (including those supported by current Presidential candidates) envisage a return only to 1990 levels by 2020, and other compromise bills envision a more gradual constraint. U.S. national circumstances differ substantially from those of Europe in other ways as well. Between now and 2050, our population is expected to grow from 300 to nearly 450 million. The population of the EU25 (EU Member States excluding Bulgaria and Romania), on the other hand, is expected to fall from a peak of 470 million in 2025 to about 450 million by 2050, according to Eurostat.

19. (SBU) Many EU member states appear not to recognize that by insisting that other developed countries take on similar targets to the EU-wide commitment, the EU would be applying a more stringent standard to non-EU states than it is to its own member states. The EU is meeting its current targets by means of a region-wide reallocation (the so-called EU "bubble") allowed under the Kyoto Protocol. The bubble is not a right automatically conferred on the EU under either the UN Framework Convention or the Bali Action Plan, but rather is a "flexibility mechanism" agreed by Parties under the Kyoto

Protocol. The "bubble" has allowed EU member states to meet the overall 8 percent reduction target through a heterogeneous set of individual targets ranging from a 21 percent reduction from 1990 levels by Germany to 27 percent increase by Portugal.

¶10. (U) ACTION REQUEST: Department requests that Posts draw on the points below and engage host governments and the European Commission at an appropriately high level before the March 13-14 European Council meeting. Posts should deliver the points orally.

July Major Economies Leaders Statement

-- We are pleased with the evolving cooperation on climate matters with EU. The Major Economies meeting in Hawaii was an important step forward; our senior team, led by Deputy NSA Price and CEQ Chair Connaughton had productive meetings last week in Berlin, London, and Paris, where we underscored that it is crucial that the U.S. and EU work together if we are to achieve a post-2012 agreement that is both global and environmentally effective. A strong Major Economies Leaders Statement in July will increase our chance of success within the UNFCCC by addressing some of the key elements in the Bali Action Plan. We believe the most important deliverables for a July Leaders Statement are:

-- A commitment that each major economy is prepared to reflect its nationally determined mid-term GHG reduction goal(s) in an internationally binding form.

-- We are interested in achieving agreement on the concept of making a commitment - not the content, which should be negotiated after the July Leaders Statement in the UNFCCC.

-- The United States is flexible on the content and timing of those commitments, but believes that there needs to be commitment for every major economy, even though the content of these commitments will vary.

-- In addition, such commitments should be supported by national plans sufficiently detailed to provide measurable, reportable, and verifiable means of achieving the goals.

-- In order to promote, rather than deter, broad

STATE 00024257 003 OF 003

participation in a post-2012 agreement, we should allow Parties to determine their own mid-term goals and reject trade or other sanctions to enforce compliance.

-- Agreement (by the G8) to assist in funding dissemination of clean technology needed by developing countries achieve their mitigation goals as expressed in the post-2012 agreement and linked to an agreement (by all) to eliminate tariff and non-tariff barriers to clean energy goods and services.

-- A shared long-term goal for reducing greenhouse gases that is supported by all of the major economies.

-- Agreement on the importance of (and a template for) sectoral approaches, both national and cooperative, including technology roadmaps, shared standards and goals.

-- Recognition of the importance of enhancing work in the UN and elsewhere on measurement and accounting at the facility or enterprise level, so we can assure that progress is being made and commitments honored - and that Bali's mandate that all mitigation be measurable, verifiable and reportable is met.

-- Recognition of the importance of addressing deforestation and its key sources, such as illegal logging.

Mid-term Targets

-- Within the EU, there is considerable variability in expectations of member state targets by 2020, in recognition of different national circumstances both during the 1990s and since 2000. The EU was allowed this flexibility as part of the Kyoto Protocol "bubble", so that different member states - which are themselves parties to the UNFCCC - could work toward different targets in light of their specific circumstances.

-- This is a pragmatic approach, and one that the EU needs to bear in mind as it characterizes its expectations of the effort for other Parties. The U.S. and other developed countries are prepared to be ambitious, but neither we nor any other major non-EU developed country will be in a position to meet anything close to a minus-20 target by 2020, compared to 1990 levels. This is also the case with a number of EU member states, which are themselves Parties to the UNFCCC. Without an internationally-recognized EU-wide target, most EU member states could not cut their emissions by 20 percent without transferring billions of euros via international offsets.

-- If the EU establishes unrealistic expectations for developed country mid-term targets (e.g., 25 to 40 percent cuts for Annex I Parties by 2020, compared to 1990 levels), it will tend to undermine, rather than support, an approach that brings the major economies together to move forward on this issue.

-- Furthermore, we should not focus solely on one pathway for emissions reductions. The IPCC Working Group III contribution to the Fourth Assessment Report includes 177 scenarios, and the EU has chosen one of the most extreme.

-- The U.S. is eager to work with the EU in finding a way to express a shared long-term goal for reducing greenhouse gases that is supported by all of the major economies, as well as developing sectoral approaches that will broaden international participation.

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